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APPLICATION NO.	FILING DATE	FIRST NAMED INVENTOR	ATTORNEY DOCKET NO.	CONFIRMATION NO.
09/769,979	01/25/2001	David A. Seaman	36287-00700	5241

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EXAMINER

PATEL, JAGDISH

ART UNIT PAPER NUMBER

3693

DATE MAILED: 09/13/2006

Please find below and/or attached an Office communication concerning this application or proceeding.

<b>Office Action Summary</b>	<b>Application No.</b> 09/769,979	<b>Applicant(s)</b> SEAMAN, DAVID A.	
	<b>Examiner</b> JAGDISH PATEL	<b>Art Unit</b> 3693	

**-- The MAILING DATE of this communication appears on the cover sheet with the correspondence address --**

**Period for Reply**

A SHORTENED STATUTORY PERIOD FOR REPLY IS SET TO EXPIRE 3 MONTH(S) OR THIRTY (30) DAYS, WHICHEVER IS LONGER, FROM THE MAILING DATE OF THIS COMMUNICATION.

- Extensions of time may be available under the provisions of 37 CFR 1.136(a). In no event, however, may a reply be timely filed after SIX (6) MONTHS from the mailing date of this communication.
- If NO period for reply is specified above, the maximum statutory period will apply and will expire SIX (6) MONTHS from the mailing date of this communication.
- Failure to reply within the set or extended period for reply will, by statute, cause the application to become ABANDONED (35 U.S.C. § 133). Any reply received by the Office later than three months after the mailing date of this communication, even if timely filed, may reduce any earned patent term adjustment. See 37 CFR 1.704(b).

**Status**

- 1) ☒ Responsive to communication(s) filed on 13 May 2006.
- 2a) ☐ This action is **FINAL**.                      2b) ☒ This action is non-final.
- 3) ☐ Since this application is in condition for allowance except for formal matters, prosecution as to the merits is closed in accordance with the practice under *Ex parte Quayle*, 1935 C.D. 11, 453 O.G. 213.

**Disposition of Claims**

- 4) ☒ Claim(s) 1-56 is/are pending in the application.
- 4a) Of the above claim(s) 1-39, 42-46 and 51-56 is/are withdrawn from consideration.
- 5) ☐ Claim(s) \_\_\_\_\_ is/are allowed.
- 6) ☒ Claim(s) 40, 41, 47-50 is/are rejected.
- 7) ☐ Claim(s) \_\_\_\_\_ is/are objected to.
- 8) ☐ Claim(s) \_\_\_\_\_ are subject to restriction and/or election requirement.

**Application Papers**

- 9) ☐ The specification is objected to by the Examiner.
- 10) ☐ The drawing(s) filed on \_\_\_\_\_ is/are: a) ☐ accepted or b) ☐ objected to by the Examiner.  
Applicant may not request that any objection to the drawing(s) be held in abeyance. See 37 CFR 1.85(a).  
Replacement drawing sheet(s) including the correction is required if the drawing(s) is objected to. See 37 CFR 1.121(d).
- 11) ☐ The oath or declaration is objected to by the Examiner. Note the attached Office Action or form PTO-152.

**Priority under 35 U.S.C. § 119**

- 12) ☐ Acknowledgment is made of a claim for foreign priority under 35 U.S.C. § 119(a)-(d) or (f).
- a) ☐ All    b) ☐ Some \* c) ☐ None of:
1. ☐ Certified copies of the priority documents have been received.
2. ☐ Certified copies of the priority documents have been received in Application No. \_\_\_\_\_.
3. ☐ Copies of the certified copies of the priority documents have been received in this National Stage application from the International Bureau (PCT Rule 17.2(a)).

\* See the attached detailed Office action for a list of the certified copies not received.

**Attachment(s)**

- |                                                                                                                                                   |                                                                                                    |
|---------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------|
| 1) <input checked="" type="checkbox"/> Notice of References Cited (PTO-892)                                                                       | 4) <input checked="" type="checkbox"/> Interview Summary (PTO-413)<br>Paper No(s)/Mail Date. _____ |
| 2) <input type="checkbox"/> Notice of Draftsperson's Patent Drawing Review (PTO-948)                                                              | 5) <input type="checkbox"/> Notice of Informal Patent Application                                  |
| 3) <input checked="" type="checkbox"/> Information Disclosure Statement(s) (PTO/SB/08)<br>Paper No(s)/Mail Date <u>1/25/01, 12/18/01, 8/16/02</u> | 6) <input type="checkbox"/> Other: _____                                                           |

### **DETAILED ACTION**

1. This communication is in response to amendment filed 5/13/06. This office action is a non-final action because the previous office action has not been received by the applicant in its entirety.

#### ***Response to Amendment***

2. Claim 40 has been amended. Claims 40,41 and 47-50 are under examination.
3. In response to the applicant's amendment filed 5/13/06, rejection of claims under 35 USC 112 (second) have been withdrawn.

### **Claim Rejections - 35 USC § 101**

4. 35 U.S.C. 101 reads as follows:

Whoever invents or discovers any new and useful process, machine, manufacture, or composition of matter, or any new and useful improvement thereof, may obtain a patent therefor, subject to the conditions and requirements of this title.

5. Claims 40, 41 and 47-50 are rejected under 35 U.S.C. 101 because the claimed invention is directed to non-statutory subject matter.

Under the Interim Guidelines for Examination of Patent Applications for Patent Subject Matter Eligibility a claimed invention must satisfy the requirement that it be directed to a "practical application" which is to mean "the claimed invention physically

Art Unit: 3693

transforms an article or physical object to a different state or thing, or ... the claimed invention otherwise produces a useful, concrete, and tangible result".

If a claim satisfies those questions, then the claim describes eligible subject matter. In the instant case the claimed invention does not physically transform an article or a physical object to a different state or thing since the claim is not directed to an article or physical object. Therefore, a relevant test to determine eligibility requirement is whether, the claimed invention as a whole is limited to a useful, concrete, and tangible Result.

The next test is applied to determine if the claimed invention as a whole is directed to or produces a useful concrete and tangible result.

The claimed invention recites process steps "determining a price of the underlying security at a first time" and "calculating a discount price of the underlying security" without providing any specific standard, procedure or algorithm which can render the parameter "discounted price" a concrete result because the discounted price can be calculated by a human thinking or concept, thus cannot be reproducible or concrete.

The results of applicant's invention in arriving at a discounted price and subsequently issued an exchangeable security at the discounted price is clearly not the same results found in *State Street Bank & Trust Co. V. Signature Financial group, Inc.*, 149 F 3d 1371; 47 USPQ 2d 1599 decided by the U.S. Courts of Appeals. "Today we hold the transformation of data representing discrete dollar amounts by a machine through a series of mathematical calculations into a final share price constitutes a practical application of a mathematical algorithm, formula or calculation because it produces a useful, concrete and tangible result, a final share price momentarily fixed for recording and reporting purposes". In the State Street case the "concrete,

Art Unit: 3693

tangible, and useful results” is allocating money to different funds.

Based upon similar analysis, the aforementioned claims fail to produce a concrete, tangible and useful result and is non statutory subject matter and rejected under 35 USC 101.

***Claim Rejections - 35 USC § 102***

6. The following is a quotation of the appropriate paragraphs of 35 U.S.C. 102 that form the basis for the rejections under this section made in this Office action:

A person shall be entitled to a patent unless –

(b) the invention was patented or described in a printed publication in this or a foreign country or in public use or on sale in this country, more than one year prior to the date of application for patent in the United States.

7. Claims 40,41 and 47-50 are rejected under 35 U.S.C. 102(b) as being clearly anticipated by Kroll, Arthur H (Exploring Options, HR Magazine v42n10 pp 96-100 Oct 1997) (hereafter referred to as Kroll).

As per claims 40,41 and 47-50 Kroll teaches all limitations of the aforementioned claims (refer to TYPE OF OPTIONS on p.2, in particular “discounted stock options”). Here the underlying security refers to “employer’s stock” and discounted security refers to “discounted stock option”. The exchangeable security (stock option) is issued at a discounted price to the employees and the price of the underlying security (company stock) is determined (market value) and discounted price of the underlying security (company stock) is calculated at a first time (below the fair market value).

Note that the limitation the properties or features of the exchangeable securities which recites “an exchange right ...the second time after the first time” is treated as “non-functional descriptive material”. The examiner need not give patentable weight to descriptive material

Art Unit: 3693

absent a new and unobvious functional relationship between the descriptive material and the substrate (in this case the exchangeable security). The descriptive material in no way alters the process of issuing the exchangeable security. The claim recites the issuing the step as “issuing the exchangeable security at the discounted price” and this step is performed regardless of the type of exchangeable security or what conditions it includes.

See *In re Lowry*, 32 F.3d 1579, 1583-84, 32 USPQ2d 1031, 1035 (Fed. Cir. 1994); *In re Ngai*, 367 F.3d 1336, 1338, 70 USPQ2d 1862, 1863-64 (Fed. Cir. 2004).

### ***Conclusion***

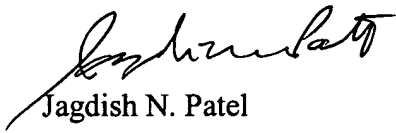
The prior art made of record and not relied upon is considered pertinent to applicant's disclosure.

Any inquiry concerning this communication or earlier communications from the examiner should be directed to JAGDISH PATEL whose telephone number is (571) 272-6748. The examiner can normally be reached on **800AM-630PM Mon-Tue and Thu.**

If attempts to reach the examiner by telephone are unsuccessful, the examiner's supervisor, James Trammel can be reached on (571) 272-6712. The fax phone number for the organization where this application or proceeding is assigned is 517-273-8300.

Art Unit: 3693

Information regarding the status of an application may be obtained from the Patent Application Information Retrieval (PAIR) system. Status information for published applications may be obtained from either Private PAIR or Public PAIR. Status information for unpublished applications is available through Private PAIR only. For more information about the PAIR system, see <http://pair-direct.uspto.gov>. Should you have questions on access to the Private PAIR system, contact the Electronic Business Center (EBC) at 866-217-9197 (toll-free).



Jagdish N. Patel

(Primary Examiner, AU 3693)

9/11/06